

**RIDER PSM  
OFF-SYSTEM POWER SALES AND EMISSION ALLOWANCE SALES  
PROFIT SHARING MECHANISM**

**APPLICABILITY**

Applicable to all retail sales in the Company's electric service area, excluding interdepartmental sales, beginning with the billing month ~~March~~ June 2010.

(T)

**PROFIT SHARING RIDER FACTORS**

The Applicable energy charges for electric service shall be increased or decreased to the nearest \$0.000001 per kWh to reflect the sharing of profits on off-system power sales and the net margins on sales of emission allowances.

The Company will compute its profits on off-system power sales and margins on emission allowance sales in the following manner:

$$\text{Rider PSM Factor} = (P + E + R)/S$$

where:

- P = Eligible profits from off-system power sales for applicable month subject to sharing provisions established by the Commission in its Order in Case No. 2003-00252, dated December 5, 2003. The first 100% of profits up to \$1 million during the current year are credited 100% to customers. Cumulative profits for the current year in excess of \$1 million are shared between customers and shareholders on a 50%/50% basis. After December 31<sup>st</sup> of each year, the sharing mechanism will be reset.
- E = All net margins on sales of emission allowances are credited to customers per the Commission's Order in Case No. 2006-00172, dated December 21, 2006.
- R = Reconciliation of prior period Rider PSM actual revenue to amount calculated for the period.
- S = Current month sales in kWh used in the current month Rider FAC calculation.

Issued by authority of an Order of the Kentucky Public Service Commission dated January 30, 2009 in Case No. 2008-00489.

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Issued: April 30, 2010

Effective: June 2, 2010

Issued by: Julie Janson, President

<u>Rate Group</u>	<u>Rate</u> <u>(\$/ kWh)</u>	
Rate RS, Residential Service	<del>(0.000059)</del> 0.000917	(R)
Rate DS, Service at Secondary Distribution Voltage	<del>(0.000059)</del> 0.000917	(R)
Rate DP, Service at Primary Distribution Voltage	<del>(0.000059)</del> 0.000917	(R)
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	<del>(0.000059)</del> 0.000917	(R)
Rate EH, Optional Rate for Electric Space Heating	<del>(0.000059)</del> 0.000917	(R)
Rate GS-FL, General Service Rate for Small Fixed Loads	<del>(0.000059)</del> 0.000917	(R)
Rate SP, Seasonal Sports Service	<del>(0.000059)</del> 0.000917	(R)
Rate SL, Street Lighting Service	<del>(0.000059)</del> 0.000917	(R)
Rate TL, Traffic Lighting Service	<del>(0.000059)</del> 0.000917	(R)
Rate UOLS, Unmetered Outdoor Lighting	<del>(0.000059)</del> 0.000917	(R)
Rate OL, Outdoor Lighting Service	<del>(0.000059)</del> 0.000917	(R)
Rate NSU, Street Lighting Service for Non-Standard Units	<del>(0.000059)</del> 0.000917	(R)
Rate NSP, Private Outdoor Lighting Service for Non-Standard Units	<del>(0.000059)</del> 0.000917	(R)
Rate SC, Street Lighting Service – Customer Owned	<del>(0.000059)</del> 0.000917	(R)
Rate SE, Street Lighting Service – Overhead Equivalent	<del>(0.000059)</del> 0.000917	(R)
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	<del>(0.000059)</del> 0.000917	(R)
Other	<del>(0.000059)</del> 0.000917	(R)

#### **SERVICE REGULATIONS**

The supplying of, and billing for, service and all conditions applying thereto are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission as provided by law.

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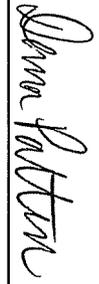
DUKE ENERGY KENTUCKY  
 CALCULATION OF RIDER PSM CREDIT FOR JUNE 2010- AUGUST 2010 BILLING

Line No.	Description	Billing Month			Total
		Jan-10	Feb-10	Mar-10	
1	Off-System Sales Margin Allocated to Customers from 2009 (Schedule 2, Line 23)				(+) \$982,449
2	Net Margins on Sales of Emission Allowances (Schedule 4, Line 9)				(+) 0
3	Prior Period Carry Forward (Schedule 3, Line 28)				(+) (19,215)
4	Total Amount of Credits Owed to Customers				\$963,234
5	Actual Amount Credited to Customers	35,602	31,450	(17,422)	(-) 49,630
6	Net Refund due to (from) Customers				\$ 913,604
7	Sales (kWh) from FAC Filing January, February, March 2010 (FAC Schedule 3, Line C)				+ 995,882,251
8	Profit Sharing Mechanism Credit Rate (\$/kWh)				<u><u>0.000917</u></u>

Effective Date for Billing:

June 2, 2010

Submitted by:



Title:

Lead Rates Analyst

Date Submitted:

April 30, 2010

**DUKE ENERGY KENTUCKY**  
**OFF-SYSTEM SALES SCHEDULE**  
**PERIOD: YEAR TO DATE - DECEMBER 31, 2010**

Line No.	Description	Jan-10	Feb-10	Mar-10	Total	
1	Off-System Sales Revenue					
2	Asset Energy	(+)	852,687	940,515	1,266,141	\$3,059,343
3	Non-Asset Energy	(+)	0	0	0	0
4	Bilateral Sales	(+)	0	0	0	0
5	Hedges	(+)	0	21,720	119,912	141,632
6	MISO RSG Make Whole Payments <sup>(a)</sup>	(+)	380,936	801,200	447,163	1,629,299
7	Capacity	(+)	118	32	70	220
8	Ancillary Services Market (Schedule 5, Line 11)	(+)	40,863	49,168	44,088	134,119
9	Sub-Total Revenues		<u>\$1,274,604</u>	<u>\$1,812,635</u>	<u>\$1,877,374</u>	<u>\$4,964,613</u>
10	Variable Costs Allocable to Off-System Sales					
11	Bilateral Purchases	(+)	\$0	\$0	\$0	\$0
12	Non-Native Fuel Cost <sup>(a)</sup>	(+)	1,001,328	1,206,293	1,471,832	3,679,453
13	Variable O&M Cost	(+)	59,967	63,359	99,972	223,298
14	SO <sub>2</sub> Cost	(+)	27,695	26,941	12,372	67,008
15	NO <sub>x</sub> Cost	(+)	0	0	0	0
16	MISO and Other Costs	(+)	3,071	3,392	5,942	12,405
17	Sub-Total Expenses		<u>\$1,092,061</u>	<u>\$1,299,985</u>	<u>\$1,590,118</u>	<u>\$3,982,164</u>
18	Off-System Sales Margin (Line 9 - Line 17)		\$182,543	\$512,650	\$287,256	\$982,449
19	Allocated to Customers (up to 100% of first \$1.00 million) <sup>(b)</sup>					1,000,000
20	Sub-Total (Line 18 - Line 19)					\$0
21	Percentage Allocated to Customers (50% of margins > \$1.00 million) <sup>(b)</sup>					50.00%
22	Remainder of Off-System Sales Margin Allocated to Customers (Line 20 x Line 21)					0
23	Off-System Sales Margin Allocated to Customers (Line 18 + Line 22)					<u>\$982,449</u>

Note: <sup>(a)</sup> Line 12 - Line 6 ties to the Duke Energy Kentucky's FAC Filing Schedule 4, Line C.

<sup>(b)</sup> Per the Commission's Order dated December 5, 2003, in Case No. 2003-00252.

**DUKE ENERGY KENTUCKY**  
**OFF-SYSTEM SALES SCHEDULE**  
**PERIOD: TWELVE MONTHS ENDED DECEMBER 31, 2009**

Line No.	Description	Total
1	<b>Off-System Sales Revenue</b>	
2	Asset Energy	(+ \$13,178,804)
3	Non-Asset Energy	(+ 0)
4	Bilateral Sales	(+ 216)
5	Hedges	(+ 0)
6	MISO RSG Make Whole Payments	(+ 4,194,564)
7	Capacity	(+ 710,240)
9	Ancillary Services Market	(+ <u>170,594</u> )
10	Sub-Total Revenues	<u>\$18,254,418</u>
11	<b>Variable Costs Allocable to Off-System Sales</b>	
12	Bilateral Purchases	(+ 0)
13	Fuel Cost	(+ 15,569,013)
14	Variable O&M Cost	(+ 969,223)
15	SO <sub>2</sub> Cost	(+ 531,017)
16	NO <sub>x</sub> Cost	(+ 9,333)
17	MISO Costs	(+ <u>61,735</u> )
18	Sub-Total Expenses	<u>\$17,140,321</u>
19	Total Off-System Sales Margin (Line 7 - Line 15)	(+ \$1,114,097)
20	Allocated to Customers (guaranteed 100% of first \$1.0 million) <sup>(a)</sup>	(- <u>1,000,000</u> )
21	Sub-Total	(+ \$114,097)
22	Percentage Allocated to Customers (50% of margins > \$1.0 million) <sup>(a)</sup>	50.00%
23	Remainder Allocated to Customers (Line 18 x Line 19)	<u>\$57,049</u>
24	Total Allocated to Customers (Line 17 + Line 20) <sup>(b)</sup>	(+ \$1,057,049)
25	Net Margins on Sales of Emission Allowances	(+ 21,640)
26	Prior Period Carryforward <sup>(b)</sup>	(+ (644,627))
27	Amount Credited to Customers in 2009	(- <u>453,277</u> )
28	Remaining PSM Credit Due to Customers at 12/31/09	<u>(19,215)</u>

Note: <sup>(a)</sup> Per provisions included in the Commission's Order dated December 5, 2003, in Case No. 2003-00252.

<sup>(b)</sup> Incremental change from prior filing is due to MISO resettlements.

**DUKE ENERGY KENTUCKY**  
**EMISSION ALLOWANCE SALES MARGIN**  
**PERIOD: YEAR TO DATE - DECEMBER 31, 2010**

Line No.	Description	Jan-10	Feb-10	Mar-10	Total
1	<b>SO2 Sales Margin</b>				
2	Proceeds	(+)	\$0	\$0	\$0
3	Cost of Sale	(-)	0	0	0
4	Margin		0	0	0
5	<b>NOx Sales Margin</b>				
6	Proceeds	(+)	\$0	\$0	\$0
7	Cost of Sale	(-)	0	0	0
8	Margin		0	0	0
9	<b>Total EA Sales Margin (Line 4 + Line 8)</b>		0	0	0

**DUKE ENERGY KENTUCKY  
ANCILLARY SERVICES MARKET  
PERIOD: YEAR TO DATE - DECEMBER 31, 2010**

Line No.	Description	Jan-10	Feb-10	Mar-10	Total
1	DA Regulation	\$8,731	\$0	\$31,687	\$40,418
2	DA Spinning	\$1,632	\$529	\$4,387	\$6,547
3	RT Regulation	\$31,225	\$29,370	\$11,009	\$71,605
4	RT Spinning	\$66,225	\$89,017	\$39,743	\$194,985
5	DA Supplemental	\$0	\$0	\$17,490	\$17,490
6	RT Supplemental	\$981	\$24	(\$5,508)	(\$4,504)
7	MISO Net Reg Adj Amt	\$1,385	\$1,286	\$883	\$3,554
8	MISO Reg Dist	(\$34,904)	(\$31,900)	(\$21,752)	(\$88,555)
9	MISO Reg Penalty	(\$121)	\$0	\$0	(\$121)
10	MISO Spin Dist	(\$32,216)	(\$32,815)	(\$20,930)	(\$85,961)
11	MISO Supp Dist	(\$2,075)	(\$5,400)	(\$12,921)	(\$20,395)
12	MISO Res Dep Penalty	\$0	(\$943)	\$0	(\$943)
13	Total	<u>\$40,863</u>	<u>\$49,168</u>	<u>\$44,088</u>	<u>\$134,119</u>

Note: Per the Commission Order dated January 30, 2009, in Case No 2008-00489